MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

22 OCTOBER 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **NINE (9)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

Part A

MFRS 3 *Business Combination* recognises the acquisition method as the only method allowed for all business combinations. Briefly explain the steps involved in applying the acquisition method.

(4 marks)

Part B

The following information relates to three companies as at 31 December 2018.

	Ace RM'000	Brook RM'000	Charm RM'000
Non-current assets			
Freehold land	1,750	320	230
Machine and equipment	140	210	85
Investment in ordinary shares:			
Brook	500		
Charm	110		
Current assets			
Inventories	25	70	30
Account receivables	30	30	24
Cash and bank	160	30	20
	2,715	660	389
Equity and liabilities			
Ordinary share capital	2,350	450	300
10% Preference shares	200	50	
Retained earnings	68	70	60
Trade payables	97	90	29
	2,715	660	389

Continued...

The following transactions are relevant to prepare the group statement of financial position as at 31 December 2018.

a. The issued share capital comprises:

	Ace	Brook	Charm
Ordinary shares (in '000 units)	1300	400	300
10% preference share (in '000 units)	100	50	

b. Ace acquired 320,000 ordinary shares of Brook on 1st January 2017. On that date, the retained earnings of Brook is RM110,000.

c. Brook recognised non-controlling interest at fair value of RM160,000.

d. Ace has one-third interest in Charm beginning from 1st January 2018 when the retained earnings of Charm was RM45,000. Ace has joint control in Charm due to the joint venture.

e. Goodwill on consolidation for Brook was impaired by RM10,000. The impairment loss on the investment in associate is RM7,000.

f. Included in the receivables of Ace were RM2,000 due from Brook. Brook had remitted RM1,000 on account of these debts but Ace did not adjust its bank account. There is also RM3,000 due from Charm.

g. During the current year Ace sold inventories to both Brook and Charm at cost plus 10% of RM11,000 and RM3,300 invoices price, respectively. Both Brook and Charm have not sold any of these goods.

h. In year 2018, Ace sold a machine with a carrying value of RM10,000 for RM15,000 to Brook. The depreciation is charged at 20% on cost, giving full year's charge in the year of purchase.

Required:

i. Calculate the goodwill for each acquisition.

(3 marks)

ii. Prepare the Consolidated Statement of Financial Position of the group as at 31 December 2018. Show all relevant workings.

(18 marks)

(Total: 25 marks)

Continued...

QUESTION 2 (25 MARKS)

Part A

Given below are the statements of profit or loss of Bat, Man and Warrior for the year ended 31 December 2018.

	Bat RM'000	Man RM'000	Warrior RM'000
Turnover	2,000	3,000	2,000
Cost of sales	(800)	(1,200)	(1,000)
	1,200	1,800	1,000
Expenses	(400)	(600)	(300)
	800	1,200	700
Dividends from Man	160	-	-
Dividends from Warrior	40	100	-
	1,000	1,300	700
Taxation	(300)	(300)	(200)
Profit after taxation	700	1,000	500
Dividends paid	200	200	200
Retained earnings at 1 January 2018	400	300	400

Additional information:

a. On 1 January 2016, Bat acquired 80% of the issued ordinary shares of Man for RM1,700,0000 when the retained profit of Man was RM100,000 and the fair value of the net assets of Man was RM2,000,000. Additional depreciation on fair value recognition of the net assets was RM20,000 per annum.

b. 20% of goodwill was impaired on 31 December 2017.

c. On 1st January 2018, Bat and Man acquired 20% and 50% of the issued shares of Warrior for RM300,000 and RM900,000 respectively. The fair value of the net assets of Warrior was RM1,200,000 on 1st January 2018.

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Required:

i. Calculate the goodwill for each acquisition.

(4 marks)

ii. Prepare the Consolidated Statement of Profit or Loss for the year ended 31 December 2018.

(10 marks)

Part B

On 1st January 2016, Happy acquired 40% of the shares of Beauty for RM268,000 when the retained earnings of Beauty was RM180,000.

On 1st January 2018, Happy acquired another 50% of Beauty's shares for RM320,000 when the retained earnings of Beauty was RM200,000. The fair value of the shares acquired on 1st January 2016 is RM360,000.

Below are the statements of financial position of Happy and Beauty as at 31 December 2018.

	Happy	**Beauty**
	RM	**RM**
Investment in Beauty	588,000	-
Sundry assets	2,300,000	912,000
	2,888,000	912,000
Ordinary share capital	2,088,000	400,000
Retained earnings	600,000	500,000
Trade payables	200,000	12,000
	2,888,000	912,000

Required:

Prepare the Consolidated Statement of Financial Position of the group as at 31 December 2018. Show all relevant workings.

(11 marks)

(Total: 25 marks)

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QUESTION 3 (25 MARKS)

Part A

"The International Accounting Standards Board (IASB) has published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'. The amendments are effective for periods beginning on or after 1 January 2019". Describe the advantages and disadvantages of this amendment.

(The IASB, 12 May 2017)
(5 marks)

Part B

Given below are the Statements of Financial Position of Mega Bhd, Long Bhd and Short Bhd as at 30 June 2019.

	Mega Bhd (RM'000)	Long Bhd (RM'000)	Short Bhd (RM'000)
Non-current Assets			
Land	1,300	4,000	-
Other non-current assets	1,000	3,000	2,300
Investments			
Long Bhd -2,400,000 ordinary shares	4,000	-	-
Short Bhd- 600,000 ordinary shares	1,190	-	-
Short Bhd- 70,000 redeemable preference shares	200		
Current Assets			
Inventories	130	400	140
Trade receivables	100	120	90
Current accounts			
Long Bhd	250	-	-
Short Bhd	150	-	-
Loan to Long Bhd	520	-	-
Bank	160	480	470
	9,000	8,000	3,000
Equity and Liabilities			
Ordinary share capital at RM1 each	5,400	3,000	1,000
10 percent redeemable preference share capital	2,600	-	300
Retained profit	700	275	650

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Non-current liability			
8% debentures	-	4,000	-
Current Liabilities			
Current accounts	-	200	100
Loan from Mega Bhd	-	-	520
Trade and other payables	300	525	430
	9,000	8,000	3,000

Additional information:

a. Mega Bhd acquired the ordinary shares in Long Bhd on 1 July 2016 when the retained profit of Long Bhd was RM200,000. The goodwill of Long Bhd on 30 Jun 2019 is impaired by RM40,000.

b. On 1 July 2018, Mega Bhd acquired the ordinary shares in Short Bhd when Short Bhd's retained profit was RM150,000. Subsequent to the acquisition, the fair value of a piece of Short Bhd's non-current asset was RM200,000 higher than its carrying amount with a remaining life of four years. Short Bhd did not adjust its financial statements to reflect the fair values.

c. On 30 June 2019, Long Bhd sold a piece of land to Mega Bhd and made a profit of RM100,000.

d. Included in the trade receivables of Mega Bhd were RM10,000 due from Long Bhd.

e. Differences in the current accounts are due to cash in transit.

Required:

Prepare the Consolidated Statement of Financial Position as at 30 June 2019 in accordance with the requirements of MFRS10 *Consolidated Financial Statements.*

(20 marks)

(Total: 25 marks)

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QUESTION 4 (25 MARKS)

Part A

The following are the financial statements of Indah Bhd Group companies as at 31 December 2018.

Consolidated Statement of Profit or Loss for the year ended 31 December 2018

	RM
Revenue	250,000
Cost of sales	(100,000)
Gross profit	150,000
Share of profit from Associates	5,000
Gain on sale of non-current asset	10,000
Operating expenses	(90,000)
Depreciation	(25,000)
Profit before tax	50,000
Taxation	(15,000)
Profit after tax	35,000
Profit after tax attributable to:	
Group	RM28,000
Non-controlling interest	RM7,000

Consolidated Statement of Financial Position as at 31 December

	2018 RM	2017 RM
Non-current assets	370,000	300,000
Goodwill	160,000	170,000
Investments in Associate	200,000	200,000
Current Assets		
Inventories	240,000	260,000
Accounts receivables	130,000	220,000
Bank	100,000	150,000
	1,200,000	**1,300,000**
Ordinary share capital	500,000	500,000
Retained earnings	292,000	321,000
Non-controlling interest	64,000	65,000
Long term loan	170,000	174,000
Current liabilities		
Accounts payable	174,000	240,000
	1,200,000	**1,300,000**

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Additional information:-

a. A non-current asset of carrying amount RM50,000 was sold for RM60,000.

b. The expenses for the year ended 31 December 2018 include impairment of goodwill on consolidation.

c. On 1 October 2018, Indah Bhd acquired a 90% interest in subsidiary Pretty Bhd, by paying cash RM 32,000. The net assets of Pretty Bhd on the date of sale were as follows:

	RM
Non-current assets	15,000
Inventory	8,000
Bank balance	3,000
Accounts receivables	5,000
Trade Payable	(1,000)
Non-controlling interest	3,000

Required:

i. Prepare a Consolidated Cash Flow Statement for the year ending 31 December 2018. (16 marks)

ii. Calculate current ratio and acid rest ratio for the years 2018 and 2017 based on the above consolidated statements of financial position and comment. (4 marks)

Part B

Given below are the statements of financial position of PNO Bhd and TRZ Bhd as at 31 December 2018.

Statements of Financial Position of PNO Bhd and TRZ Bhd as at 31 December 2018

	PNO Bhd (RM)	TRZ Bhd (RM)
Assets		
Land and building (cost)	450,000	350,000
Plant and machinery (cost)	110,000	80,000
Goodwill	20,000	10,000
Current assets		
Inventories	90,000	60,000
Trade receivables	60,000	50,000

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Bank	70,000	90,000
	800,000	640,000
Equity		
Ordinary share capital	550,000	210,000
100,000 10% preference shares	150,000	-
Retained profits (loss)	(200,000)	150,000
Liabilities		
Trade payables	300,000	80,000
	750,000	640,000

Additional information:

a. PNO Bhd and TRZ Bhd want to amalgamate. A new company named AMG Bhd is formed to acquire all the assets and liabilities of PNO Bhd and TRZ Bhd.

b. The consideration transferred is as follows:

	PNO Bhd (RM)	**TRZ (RM)**
Ordinary shares in AMG Bhd	600,000	200,000
100,000 8% Preference shares	160,000	-

c. The fair values of the assets of PNO Bhd are as follows:

	PNO Bhd (RM)
Land and building	200,000
Plant and machinery	15,000
Inventories	40,000
Trade receivables	20,000
Bank	Carrying amount
Trade payables	Carrying amount

Required:

Prepare realisation account and sundry members' accounts for ordinary and preference shareholders to close the books of PNO Bhd.

(5 marks)

(Total: 25 marks)

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